

P-421/CP-91-487 ORDER REQUIRING COST STUDIES AND PROPOSED RATES

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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Chair
Commissioner
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In the Matter of a Petition for
Extended Area Service from the
Braham Exchange to the Mora
Exchange

ISSUE DATE: November 12, 1991

DOCKET NO. P-421/CP-91-487

ORDER REQUIRING COST STUDIES AND
PROPOSED RATES

PROCEDURAL HISTORY

On June 27, 1991, subscribers in the Braham exchange filed two EAS petitions: one for EAS between the Braham exchange and the Pine City exchange (Docket No. P-421/CP-91-486) and one between the Braham exchange and the Mora exchange (Docket No. P-421/CP-91-487).

On August 23, 1991, U S West Communications, Inc. (USWC) filed traffic studies for the two proposed routes.

On September 26, 1991, the Minnesota Department of Public Service (the Department) recommended that the Commission require USWC to submit cost studies and proposed rates for the Braham to Mora EAS route. Docket No. P-421/CP-91-487.

On October 4, 1991, the Department recommended that the Commission deny the Braham to Pine City petition (Docket No. P-421/CP-91-486) for failure to meet the traffic requirement of Minn. Stat. § 237.161 (1990).

On October 22, 1991, the Commission accepted the Department's recommendation regarding the Braham-Pine City route and issued an Order denying the Braham-Pine City petition due to the lack of sufficient traffic from the Braham exchange to the Pine City exchange. Docket No. P-421/CP-91-486.

On October 29, 1991, the Commission met to consider the Braham to Mora petition, Docket No. P-421/CP-91-487.

FINDINGS AND CONCLUSIONS

According to the extended area service (EAS) statute, the Commission must grant a petition to install EAS if 1) the petitioning exchange is contiguous to the petitioned exchange or local calling area, 2) at least 50% of the customers in the petitioning exchange make one or more calls per month to the petitioned exchange or local calling area, and 3) a majority of the customers in the petitioning exchange responding to a poll indicate that they favor its installation. Minn. Stat. § 237.161, subd. 1 (a) (1990).

In processing EAS petitions, the Commission's threshold determinations are whether the petition meets the statute's adjacency and traffic requirements. If so, the Commission sets EAS rates which are then used in polling the subscribers of the petitioning exchange. Finally, if polling shows that there is adequate support among the subscribers, the Commission orders the affected telephone companies to install the EAS.

Adjacency

In this case, it is clear that the petitioning exchange, Braham, meets the adjacency requirement with respect to the Mora exchange. The exchange map on file with the Department shows that the Braham exchange shares a common border with the Mora exchange. Therefore, this petition meets the statutory requirement that the petitioning and the petitioned exchanges be contiguous or adjacent to each other.

Traffic Requirement

According to the traffic study filed by USWC regarding the Braham to Mora route, more than 50% of the subscribers in the petitioning exchange, Braham, make one or more calls per month to Mora, the petitioned exchange. In recent cases, the Commission has deemed USWC's traffic studies inadequate and declined to make findings regarding traffic levels between the exchanges based on USWC's traffic studies. The Commission found that those traffic studies were based on unacceptable traffic data produced using an unreliable methodology.¹

¹ See, e.g. In the Matter of the Petition for Extended Area Service From Iron Trail United Communities, Docket No. P-421, 407/CP-87-747, ORDER REQUIRING REVISED TRAFFIC STUDIES, COST STUDIES AND PROPOSED RATES FOR THIRTEEN ROUTES (September 17, 1991) and In the Matter of a Petition for Extended Area Service From the Bena Exchange to the Cass Lake and Bemidji Exchanges, Docket No. P-501, 421/CP-90-357, ORDER REQUIRING REVISED COST STUDIES AND PROPOSED RATES (September 17, 1991).

USWC's study of the traffic from Braham to Mora, however, is different. USWC based its study on 12 months of traffic data from the period July 1990 through June 1991. USWC compiled monthly data and then averaged the 12 months. In each of the twelve months, the traffic volume was over the 50% criterion. The average of these 12 monthly figures, of course, was also above 50%.

This approach overcomes a principal weaknesses of previous traffic study methodologies: inadequate scope and a dearth of actual data. The Department approved this methodology and the Commission will accept the results that USWC has reached based on it. Accordingly, the Commission finds that the Braham to Mora petition meets the traffic requirement of Minn. Stat § 237.161, subd. 1 (a) (3) (1990).

Cost Studies and Proposed Rates

Having found that the petition meets the threshold requirements of the EAS statute (adjacency and adequate traffic), the Commission will proceed to set EAS rates to be used in polling. The foundation for such rates are cost studies of the route in question.

To assure high quality cost studies, the Commission will require USWC to meet with the Department within 10 days of this Order to determine a methodology and time period that USWC will use to develop cost studies and proposed rates for the Braham-Mora route. Within 30 days of the date that USWC and the Department agree on a cost methodology, the companies will file cost studies and proposed rates. The cost studies and proposed rates will be based on that agreed methodology and will meet the requirements set forth in Ordering Paragraph 3 of this Order.

ORDER

1. Within 10 days of the date of this Order, U S West Communications, Inc. (USWC) shall consult with the Department to determine a methodology and time period that USWC will use to develop cost studies and proposed rates. USWC and the Department may agree to use the traffic study filed in this case as the basis for its cost study.
2. Within 30 days after USWC and the Department agree on the cost study methodology, USWC shall use the agreed methodology and time period to develop and file cost studies and proposed rates for the Braham to Mora EAS route.

3. The cost studies and proposed rates filed pursuant to Ordering Paragraph 2 shall
 - a. be based on the methodology and time period agreed upon USWC and the Department;
 - b. meet the requirements of Minn. Stat. § 237.161, specifically including only lost toll contribution, as opposed to lost toll revenue;
 - c. provide one rate alternative that places 50% of the costs on Braham and another rate alternative that places 75% of the costs on Braham;
 - d. use a 400% stimulation factor;
 - e. use 1992 cost elements, including a gross receipts tax factor of 0%, the rate which will be in effect in 1992;
 - f. include a narrative description of the process used to arrive at a methodology acceptable to all parties;
4. Within 45 days of the filing of USWC's cost studies and proposed rates, the Department shall file with the Commission and serve upon the petition sponsors and USWC its report and recommendation regarding the new traffic studies, cost studies and proposed rates, including a recommendation regarding the rates that should be included on the ballots.
5. Parties shall have 20 days following the filing of the Department's report and recommendation to file comments thereon.
6. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster
Executive Secretary

(S E A L)